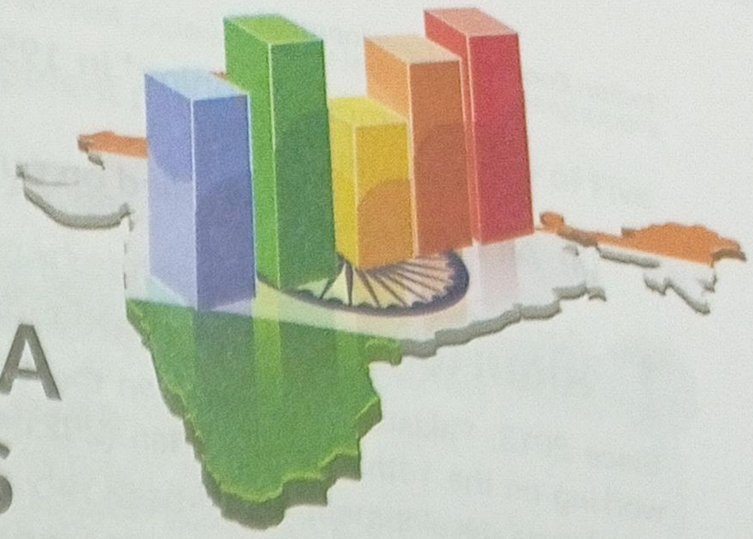
Chapter 8

COMPARATIVE DEVELOPMENT EXPERIENCES OF INDIA AND ITS NEIGHBOURS



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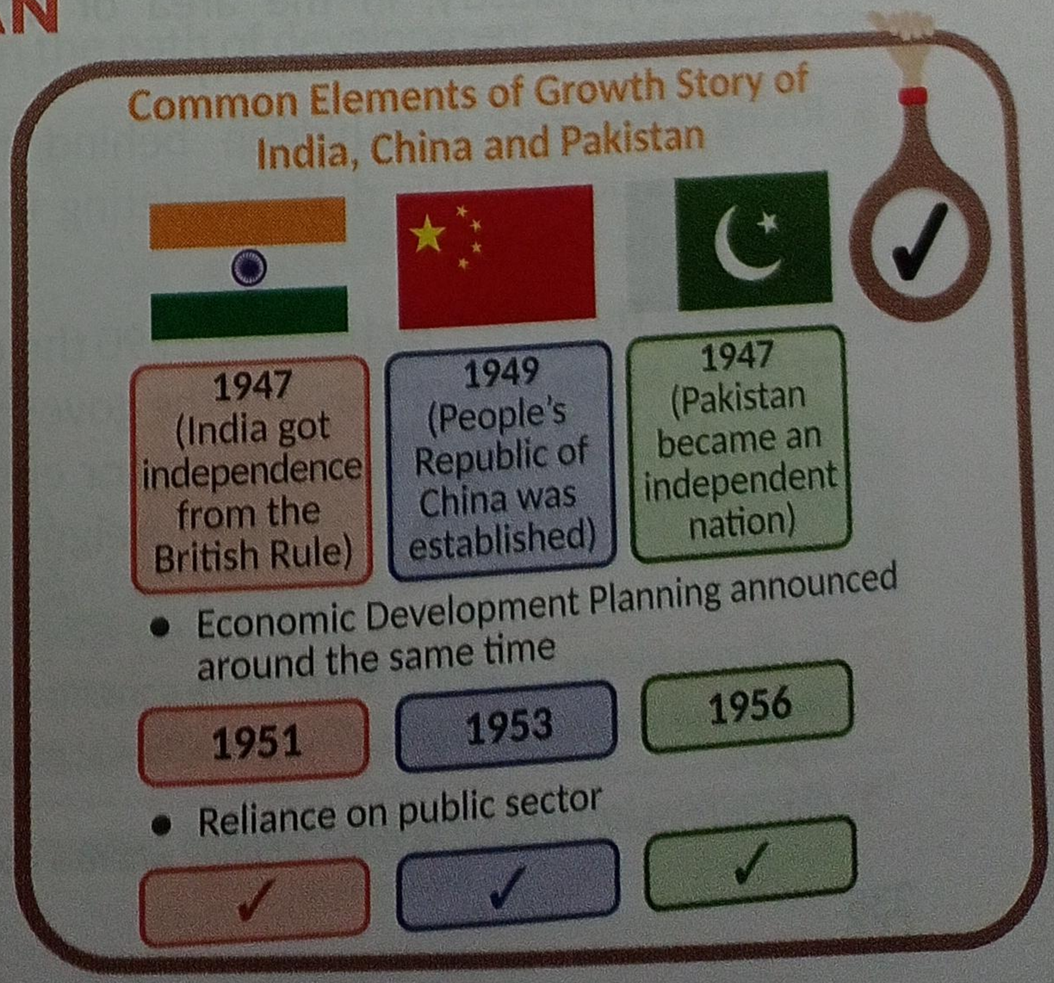
8.1 PATH (STRATEGY) OF DEVELOPMENT OF INDIA, CHINA AND PAKISTAN

- India and Pakistan became independent nations in 1947 and People's Republic of China was established in 1949. Thus, the three neighbours had almost a common start of their path of development.
- Also, there were two critical common elements in the strategies of growth of these neighbouring countries:
  (i) All three countries adopted Economic Development Planning as the core development strategy. India announced


Common Elements of Growth Story of India, China and Pakistan
1947 (India got independence from the British Rule)
1949 (People's Republic of China was established)
1947 (Pakistan became an independent nation)
• Economic Development Planning announced around the same time
1951
1953
1956
• Reliance on public sector
✓
✓
✓

'development planning' in 1951 (with the launch of First Five Year Plan), China in 1953 and Pakistan in 1956.

(ii) All three countries relied on public sector as the core sector of the economy.

! HIGHLIGHTS

Since 2018, Pakistan is working on the 12th Five Year Development Plan (2018–23), whereas, China is working on the 14th Five Year Plan (2021–25). Until March 2017, India has been following the Five Year Plan-based development model.

- Yet there are vital differences with regard to their development path or their strategy of growth and development.

Country-wise description of the strategy of growth and development should bring out these differences. This description is presented as under:

8.1.1 Path (Strategy) of Development of India

- **Strategy:** After independence, India adopted 'mixed economy' as its path of development or the strategy of growth.
  - The planners and politicians of the country wanted to combine the merits of both socialism and capitalism, while eschewing (avoiding) the demerits of both.
  - The path of mixed economy, assigned the 'flag-ship' role to the public sector, while private sector was to play the secondary or supplementary role in the process of growth and development.
- **Core Elements:** Planning, more precisely, 'Five Year Plans' worked as the core element of the path of growth and public sector undertakings worked as the engine of growth.
  - Overall objectives of Five Year Plans focused on the egalitarian society[1] or socialistic pattern of society, and objectives of each plan were defined depending on the needs and means of the country from time to time.
  - Inward looking strategy of growth[2] is the best and widely used terminology to define the development path or development strategy of the Indian economy.
- **Short Run-positive Impact:** Initially, things went 'hunky-dory' (all OK). The economy achieved a major breakthrough in the field of agriculture.
  - Green revolution symbolised agricultural prosperity of the country, while the establishment of heavy industry, in the area of iron and steel in particular, symbolised structural transformation in the economy.
- **Rising Concerns:** But hidden behind these achievements was a constantly widening vicious circle of public debt, depleting forex-reserves and mounting losses of public sector enterprises.
- **Reaching Threshold:** By the year 1990 the economy was so much burdened with 'dead-weight' of public sector enterprises that the government was forced to switch over from inward looking strategy spearheaded by public sector enterprises to outward looking strategy[3] spearheaded by the private sector and private foreign capital.

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1 *Egalitarian society – a society where all are considered equal, regardless of gender, race, religion, or age.*

- **Current Scenario:** Even the strategic element of development path, that is the strategy of Five Year Plans has now been abandoned.
  - Planning commission has now been replaced by NITI Aayog[4].
  - The economy is being driven largely by the forces of market demand and market supply, and the growth strategy is now integrated with the overall process of globalisation.

8.1.2 Path (Strategy) of Development of China

- Established as People's Republic of China in 1949, it decided to bring all critical areas of production activity under government control. National resources (included all land) were declared a government monopoly.
- Thus, China adopted 'Statism' or 'Command Economy' as a model of growth in which:
  - Ownership of all resources vests with the state, and
  - The state is to decide what to produce, how to produce and for whom to produce.

! HIGHLIGHTS

Timeline of China's Development Path

1949	—	China got independence
1953	—	Introduction of First Five Year Plan
1958	—	Great Leap Forward campaign was launched
1958	—	Implementation of Commune System
1965-76	—	Great Proletarian Cultural Revolution
1978	—	Major Reforms in Agriculture, Industry and Trade

Historically, the development path of China can be split into two periods as highlighted through the below given flow chart:

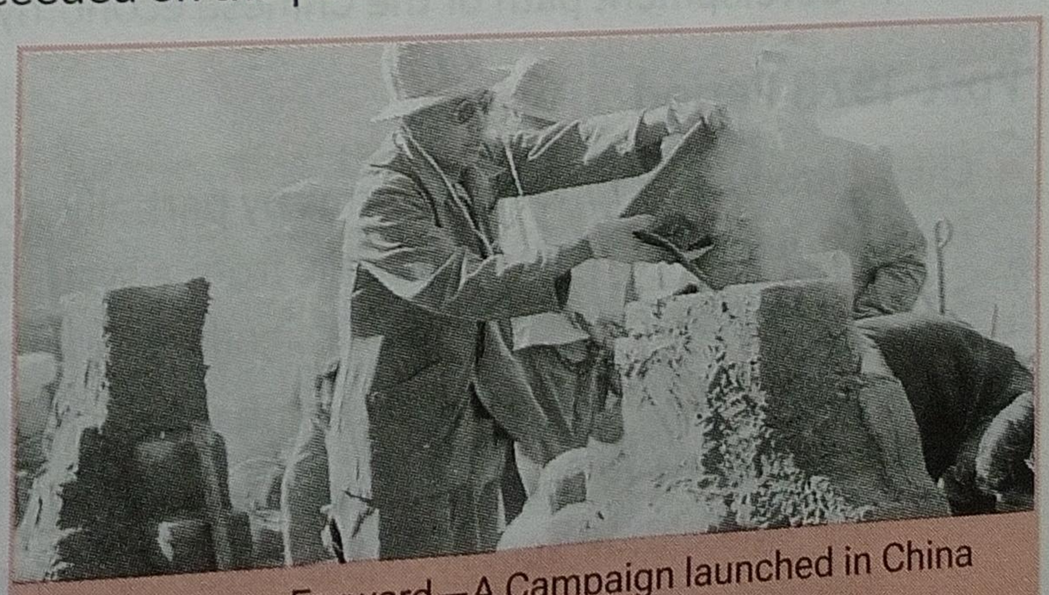
Development Path of China

- **Pre-1978 period (Major events)**
  - Great Leap Forward
  - Great Proletarian Cultural Revolution
- **Post-1978 period (Major events)**
  - Introduction of Economic Reforms in a phased manner

Pre-1978 Period

- Two major events define how China proceeded on the path of development. These events are as under:

(a) **Great Leap Forward:** This was a campaign launched in 1958 to kickstart the process of industrialisation across all parts of the country. So much so that the people were encouraged to establish industries in their backyard.



Great Leap Forward—A Campaign launched in China (1958) to promote GDP Growth

4. *NITI Aayog – a policy think tank of the Indian government which provides inputs regarding the different programmes and policies of the government.*

- While industrialisation was given a massive boost in the urban areas, agriculture was revolutionised in the rural areas by adopting Commune System of Farming. Communes meant collective farming.
- Nearly, 26,000 communes covered almost the entire population engaged in agriculture.
- Experts from Russia played a critical role in promoting the process of industrialisation in China, though subsequently, these experts were withdrawn by Russia owing to diplomatic conflicts.
- While the withdrawal of experts had dented pace of industrialisation, the pace of agricultural growth was dented by a severe drought in China which claimed nearly 30 million lives.

! HIGHLIGHTS

Great Leap Forward

- Great Leap Forward (GLF) was the campaign launched in China in 1958 to accomplish economic and industrial development at faster rate.
- It focused on widespread industrialisation of the economy, encouraging people to set-up household industry in their backyard.

Commune System

- Commune System of collectivised agriculture was implemented in 1958s as one solution to the problem.
- The structure of the commune was such that households were organised into teams then team formed bridges, and bridges formed the commune.
- Peasants pooled their land to create larger fields that could yield greater output and shared farm implements.

(b) **Great Proletarian Cultural Revolution:** It was initiated by the chairman of Chinese Communist Party, **Mao Zedong** in 1965 and continued till 1976.

- During this period, the students and professionals were sent to the countryside to gain professional expertise.
- The cultural revolution[5] succeeded in combating the then recessionary cycle in China. It also succeed in imposing Maoism[6] as the dominant ideology governing the development path of the Chinese economy.

Post-1978 Period

- China introduced economic reforms by partially accepting the principles of 'market-economy'. Basically, it involved a strategic shift from a system of closed economy (with no role of FDI) to a system of open economy (with a significant reliance on FDI).

These reforms were introduced in two phases as under:

(a) **First Phase of Economic Reforms:** In the first phase, reforms were introduced in the agricultural sector. These reforms led to withdrawal of the commune system of farming.

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5. *Cultural revolution – a revolution to touch people's souls by attacking the Four Olds—old ideas, old culture, old customs, and old habits.*
6. *Maoism – the socio-economic ideology propounded by Mao.*

- The commune land was divided into smaller pieces of land and allocated to individual households.
- The land was allocated only for the purpose of farming, devoid of ownership rights. Thus, the farmers were in a way, tenants of the Government of China, not the owners of the soil.
- However, the allottees were allowed to keep their income from farming with themselves after paying stipulated taxes.

(b) Second Phase of Economic Reforms: In the second phase, reforms were initiated in the industrial sector. These reforms included the following changes in the strategy of growth:

- Private sector enterprises (particularly owned and operated by the local collectives) were allowed to undertake production of goods. Thus, the State Owned Enterprises (also called SOE, equivalent to PSUs in India) were exposed to competition from private sector.
- The system of dual pricing[7] was introduced. Farmers and industrial units were required to make sale and purchase on the basis of price structure as fixed by the government. Market prices (prices determined by the supply and demand forces) were allowed to operate for all other transactions in the economy.
- Special Economic Zones were set up to attract foreign investors.

HIGHLIGHTS

Special Economic Zone (SEZ)

- Special Economic Zone (SEZ) is an area within the country where economic regulations are different than those in rest of the country. These are conducive to Foreign Direct Investment (FDI).
- The businesses operating within an SEZ get the advantages of lower taxes and tariffs.
- While many countries, including India, have set up SEZs, Chinese model has shown far greater success than any other in the world.

8.1.3 Path (Strategy) of Development of Pakistan

After independence in 1947, Pakistan adopted growth strategy similar to India's. It had the following principal features:

- It was a mixed-economy model of growth.
- Public sector was assigned the key role of 'kick-starting' the process of growth.
- The process of industrialisation was based on the policy of import substitution. It allowed protection to the domestic industry by way of heavy duty on the competing imports. Also, competing imports were controlled and managed by the government.
- As in India, Green Revolution was the hallmark of change in the agricultural sector which raised the production of food grains.
- Capital goods industries were nationalised with a thrust on public sector investment.

7. *Dual pricing – the practice of setting different prices in different markets for the same product or service.*

- Realising that the pace of growth was coming to a grinding halt there was a major shift in the strategy during 1980s: Denationalisation[8] and privatisation became the core elements of the development strategy. FDI became the fulcrum of growth. Process of growth was linked with the process of globalisation.

INITIAL STRATEGY OF INDIA, CHINA AND PAKISTAN

	INDIA	CHINA	PAKISTAN
Type of Economy	Mixed Economy with Development Planning	Statism or Command Economy with Development Planning	Mixed Economy with Development Planning
	Major industries were run by the government while small industries were left for the private sector.	The major sectors were under government control.	Major industries were run by the government while small industries were left for the private sector.
Land Ownership	Private	Government	Private
	Private ownership of land by individual farmers.	The government owned entire land while villagers collectively cultivated land under established communes.	Private ownership of land by individual farmers.

! HIGHLIGHTS

The Central Difference and Similarity among the Strategies of Growth of the Three Neighbouring Countries

Central Difference

- In **China**, all the national resources were under the control and command of the government.
- In **India and Pakistan**, private ownership of resources was allowed.
- Which is why the strategy of growth adopted by China is termed as **'statism'** (complete ownership of resources by the state), while the strategy of growth adopted by India and Pakistan is called the **'mixed economy growth model'.**

Central Similarity

All these economies ultimately accepted FDI as an imperative element of growth and globalisation as an imperative path of growth.

₹ AVLR 8.1

Scan the QR code to understand **STRATEGY OF DEVELOPMENT OF INDIA, CHINA AND PAKISTAN.**

(ii) Establishment of SEZs (Special Economic Zones).
(iii) Introduction of dual pricing system.
(iv) Infrastructural development.
(v) Private sector firms being allowed to produce goods and services.

8.2 EXPERIENCES AND ACHIEVEMENTS OF INDIA, CHINA AND PAKISTAN

- Comparative performance of the economies of India, China and Pakistan is studied with reference to these developmental indicators:
  (i) Demographic[9] Indicators,
  (ii) Gross Domestic Product and Sectoral Changes, and
  (iii) Indicators of Human Development.

(I) Demographic Indicators

- The data given on next page presents some critical indicators of the demographic profile of India, China and Pakistan.

9. *Demographic – relates to characteristics of a population.*

Select Demographic Indicators, 2017-18

	Estimated Population (in million)	Annual Growth of Population	Density (per sq. km)	Sex Ratio	Fertility Rate	Urbanisation
India	1352	1.03	455	924	2.2	34
China	1393	0.46	148	949	1.7	59
Pakistan	212	2.05	275	943	3.6	37

Source: *World Development Indicators 2019, www.worldbank.org*

- Interpretation of the above demographic indicators offers certain critical observations. Following is their summary presentation.

Table 8.1: Summary Presentation of Critical Observations relating to Demographic Profiles (Demographic Indicators) of India, China and Pakistan

Indicator	Observation
(i) Population Size	Very high in China and India as compared to Pakistan
(ii) Population Growth	Highest in Pakistan followed by India, and then China
(iii) Population Density	Much lower in China, compared with India and Pakistan (pointing to much larger area of China)
(iv) Sex Ratio	Poor in all the three countries
(v) Fertility Rate	Highest in Pakistan, followed by India and China
(vi) Urbanisation	Significant in China, compared with India and Pakistan. Pakistan is performing slightly better than India

A detailed description of the above summary is as follows:

- India and China together are a habitat of nearly 38 per cent of the world's total population.
  - India with a little more than 1.3 billion people is a habitat for nearly 18 per cent of the world's population.
  - China with nearly 1.39 billion people is a habitat for nearly 20 per cent of the world's population.
  - In comparison, Pakistan is a small country. Its population is just 1/10th of China or India.
- China has low density of population[10] compared with India and Pakistan. It is because of a very large geographical area of China than India and Pakistan. It is estimated to be 148 persons per square kilometer in China compared to 455 and 275 persons (per square kilometer) in India and Pakistan, respectively.

  Other things remaining constant, lower density implies lesser stress on the country's natural resources, raising its abilities for sustainable development.
- The fertility rate[11] is also low in China, while it continues to be high in India and alarmingly high in Pakistan. China has successfully contained its fertility rate by pursuing the policy of 'One Child Policy' in 1979.
- As a result of lower fertility rate, China has the lowest rate of growth of population among the three nations. While the rate of growth of population in Pakistan continues to be alarmingly high. With the existing rate of growth, it is feared that the population size in India may soon exceed that in China.

10. *Density of population – the measure of the number of individuals living within a specific area.*
11. *Fertility rate – the average number of children that are born to a woman over her lifetime.*

HIGHLIGHTS

One Child Policy

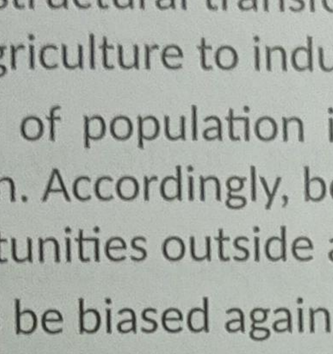
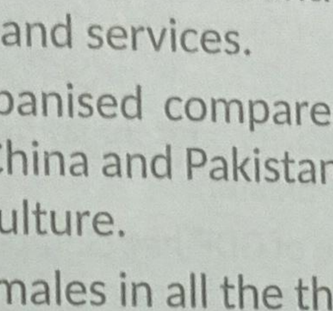
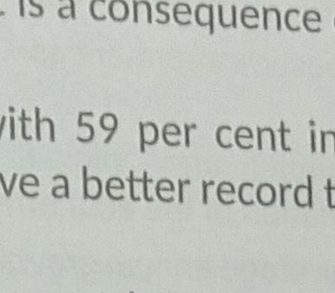
- One Child Policy was introduced in China in 1979 to address the issue of population explosion.
- Pursuing this policy China has successfully reduced the growth rate of population to nearly half, from 1.33 per cent in 1979 to nearly 0.46 per cent in 2017.
- The policy was discontinued in early 2016 as the impact of the policy was felt even beyond population growth. Owing to high preference for a male child, having only one girl child led to a serious social discontentment, and ultimately led to a widening gap between the number of males and females in the country.
- Also, due to One Child Policy, the proportion of the elderly people had started mounting up in comparison to younger population.
- With discontinuation of the policy of One Child in 2016, each family was allowed to have two children.

- Both China and Pakistan are showing brighter signs of urbanisation[12] than India. Urbanisation is closely linked with structural transformation in the country. It is a consequence of a shift of working force from agriculture to industry and services.
- In India, 34 per cent of population is urbanised compared with 59 per cent in China and 37 per cent in Pakistan. Accordingly, both China and Pakistan have a better record than India in generating job opportunities outside agriculture.
- Sex ratio[13] is found to be biased against females in all the three countries. It is estimated to be 924, 949 and 943 for India, China and Pakistan, respectively.
- Low sex ratio points to social backwardness. Female foeticide (owing to preference for a son) is the principal cause of low sex ratio.

(II) Gross Domestic Product and Sectoral Changes

The data below presents the annual growth of Gross Domestic Product for the period 1980 to 2017.

Annual Growth of Gross Domestic Product (%), 1980-2017

			
1980-1990	5.7	10.3	6.3
2015-2017	7.3	6.8	5.3

Source: *Key Indicators for Asia and Pacific 2016*, Asian Development Bank, Philippines; *World Development Indicators 2018*

The image above offers the following observations:

- **Size of the Economy:** China is the second largest economy in the world with its GDP at nearly $22.5 trillion. At $9.03 trillion, India's GDP is about 41 per cent of China's GDP. Pakistan's GDP is $ 0.94 trillion, roughly about 11 per cent of India's GDP.
- **Growth Rate of GDP:** During 1980-90, China maintained an average growth rate of 10.3 per cent while India and Pakistan grew at 5.7 per cent and 6.3 per cent respectively. Note here that Pakistan was ahead of India during this time. However, during 2015-2017, growth rate of China and Pakistan have declined and India has experienced a mild increase.

12. *Urbanisation – the process of making an area more urban.*
13. *Sex ratio – the number of females per 1,000 male population in the country.*

! HIGHLIGHTS

Reasons for Slowdown of Economic Growth in China

(i) Slowdown in the global economies (European economies in particular) has lowered the demand for the Chinese products.

(ii) Growth of domestic demand in China is slowing down. This is because of the rising propensity to save in the Chinese economy. (Propensity to save refers to the ratio between saving and GDP.)

(iii) Corruption and economic crimes have tended to rise over time.

(iv) Chinese people are now exploring higher wage opportunities of employment. It is leading to massive migration of the skilled labour to rest of the world. Domestic investors are also exploring opportunities of investment in economies where government intervention is minimum and political as well as social liberty is maximum.

(v) Chinese Government is battling with the problem of environmental degradation. High GDP growth has led to a serious challenge of sustainable development.

Reasons for Slowdown of Economic Growth in Pakistan

(i) Domestic investment as well as FDI has started shrinking. Accordingly, GDP growth has been severely hit.

(ii) Corruption and political instability are the other factors significantly contributing to economic stagnation of the economy of Pakistan.

(iii) The average annual growth rate of GDP has slumped to 3.75 per cent between the period 2008-2016. In 2017, economy of Pakistan grew at the rate of 5.3 per cent. In 2019, it further slumped to 3.3 per cent.

(iv) Owing to slow GDP growth, and consequently the low level of income, Pakistan economy has almost sunk into a 'low income-low growth' trap.

The below data shows occupational structure of the three countries along with sectoral contribution to GDP.

Sectoral Share of Employment and Contribution to GDP (%) in 2018-2019

	Contribution to GDP			Share of Workforce or Distribution of Workforce		
	India	China	Pakistan	India	China	Pakistan
Agriculture	16	7	24	43	26	41
Industry	30	41	19	25	28	24
Services	54	52	57	32	46	35
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: *Human Development Report 2019; Key Indicators of Asia and Pacific 2019*

The image above offers the following observations:

- All the three countries have experienced a noticeable structural transformation. No longer agriculture is the principal contributor to GDP.
- In terms of the sectoral contribution to GDP, economies of India and Pakistan are relying heavily on tertiary sector and their industrial sector is lagging far behind. The economy of China is also relying significantly on the service sector, but its industrial sector is not lagging far behind.
  - While in India contribution of industrial sector to GDP is 30 per cent and in Pakistan it is merely 19 per cent, in China it is as high as 41 per cent. This points to a much deeper structural change in the economy of China, compared to India and Pakistan.

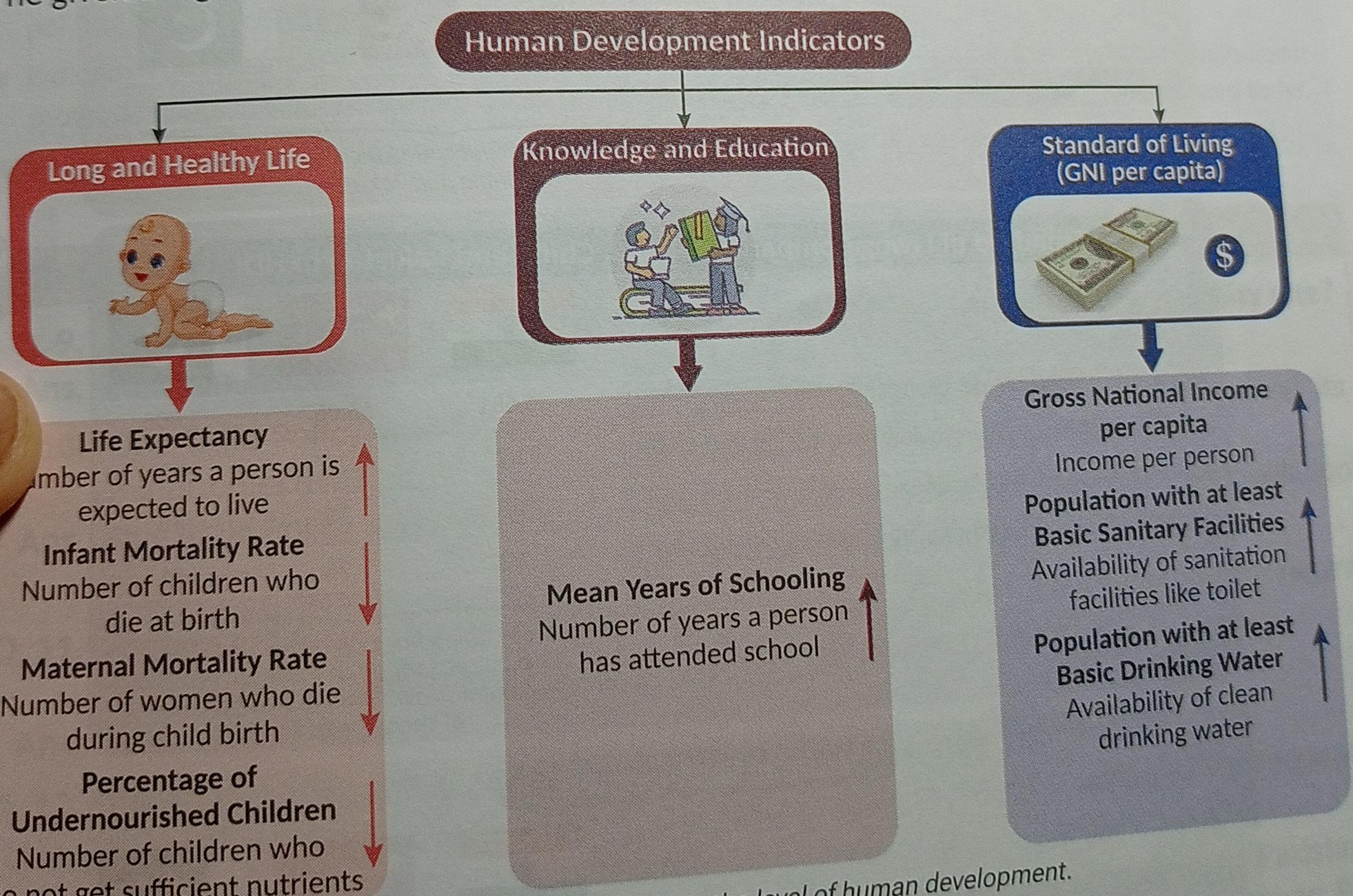
- Experience of China, in this respect, is like the experience of most developed countries in the world.
- Historical experience of the developed countries shows that in terms of the percentage share in GDP, it was first the secondary sector and later the tertiary sector which emerged as the leading sector of the economy.
- Experience of India and Pakistan, however, shows a major shift directly from primary to the tertiary sector. Implying that lesser emphasis has been given to industrial expansion in India and Pakistan, compared to China.
- Expansion of services sector in India and Pakistan is owing to faster integration of these economies with the global economies (under the economic and political impact of the developed nations).

AVLR 8.2

Scan the QR code to understand **EXPERIENCES OF INDIA, CHINA AND PAKISTAN WITH RESPECT TO GDP AND SECTORAL CHANGES IN THE ECONOMY.**

(III) Indicators of Human Development

- The given image depicts some important indicators of human development.


Human Development Indicators
Long and Healthy Life
Life Expectancy
mber of years a person is expected to live
Infant Mortality Rate
Number of children who die at birth
Maternal Mortality Rate
Number of women who die during child birth
Percentage of Undernourished Children
Number of children who do not get sufficient nutrients
Knowledge and Education
Mean Years of Schooling
Number of years a person has attended school
Standard of Living (GNI per capita)
Gross National Income per capita
Income per person
Population with at least Basic Sanitary Facilities
Availability of sanitation facilities like toilet
Population with at least Basic Drinking Water
Availability of clean drinking water

↑ – *indicates that higher the value of this parameter higher is the level of human development.*

↓ – *indicates that lower the value of this parameter lower is the level of human development.*

- Based on these indicators shown in the image, a composite index is constructed, called HDI (Human Development Index)[14].
- Higher value of HDI points to a higher rank and a higher level of human development as a consequence of overall growth of the economy.

14. *HDI (Human Development Index) – a composite index sponsored by UNDP (United Nations Development Programme) to measure the level of development or welfare of the people via. indicators of life expectancy, education, and per capita income.*

! HIGHLIGHTS

Important

- With a view to accelerating the pace of growth, different countries are forming regional and global economic groupings[15], based on common agreements of bilateral relations.
- *Examples*: SAARC, EU, ASEAN, G-8, G-20.

- The image below presents some selected indicators of Human Development for the three countries.

Long and Healthy Life Comparison–India, China and Pakistan in HDI

	India	China	Pakistan
Life Expectancy at Birth (years)	69.7	76.9	67.3
Infant Mortality Rate (per 1,000 live births)	29.9	7.4	57.2
Maternal Mortality Rate (per 1 lakh births)	133	29	140
Percentage of Undernourished Children	37.9	8.1	37.6

China has better health facilities so has a better life expectancy and lower mortality rate compared to India and Pakistan

Knowledge and Education Comparison–India, China and Pakistan in HDI

	India	China	Pakistan
Mean years of Schooling (% aged 15 and above)	6.5	8.1	5.2

China has better education facilities compared to India and Pakistan

Standard of Living Comparison–India, China and Pakistan in HDI

	India	China	Pakistan
Gross National Income per capita (PPP US$)	6,681	16,057	5,005
Percentage of People Living below Poverty Line (National)	21.9*	1.7**	24.3*
Population using at least basic Sanitation (%)	60	75	60
Population using at least basic Drinking Water Source (%)	93	96	91

People in China have higher income. Also, they have better sanitation facilities. However, drinking water is available to a large amount of the population

Human Development

	India	China	Pakistan
Human Development Index (Value)	0.645	0.761	0.557
Rank (based on HDI)	130	87	154

China has the highest HDI rank among the three countries and this is owing to its high HDI value in comparison to the other two countries.

*for the year 2011; **for the year 2015

Sources: *Human Development Report 2019 and 2020 and World Development Indicators (www.worldbank.org); Key indicators for Asia and the Pacific 2019, Asian Development Bank (ADB)*

15. *Regional and global economic groupings – associations of countries in a particular region having a common ideology regarding rules and regulations to be followed while exporting and importing goods among them.*

The given image offers the following observations:

- In the year 2019, HDI for China, India and Pakistan was estimated to be 0.761, 0.645 and 0.557 respectively. Higher HDI ranking of China is largely due to higher gross national income per capita. In the year 2019, its gross national income per capita (PPP US$) was estimated to be US$ 16,057, while it was merely US$ 6,681 for India and US$ 5,005 for Pakistan.
- Besides gross national income per capita, China has performed better than India and Pakistan for health indicators–mortality rates, access to sanitation, nutrition, and other social indicators like education and poverty.
- India has the largest number of poor people among the three countries even when the percentage of people living below poverty line (national) is higher in Pakistan. This is owing to a much larger population-size of India compared to Pakistan.

! HIGHLIGHTS

Liberty Indicators

- Liberty indicators refer to the measures of the extent of demographic participation in the social and political decision-making.
- It may be argued that HDI rating of India is low compared with China, partly because HDI does not include parameters of liberties of life, *viz.*, political liberty of participating in state administration, and social liberty of freedom of speech, and related human rights.
- One such indicator has been added as a measure of 'the extent of democratic participation in social and political decision-making' but it has not been given any extra weight in the calculation of HDI.
- Indicators for 'extent of constitutional protection given to rights of citizens' or 'the extent of constitutional protection of the independence of the Judiciary and the Rule of Law' have not even been introduced so far.
- Without giving these indicators overriding importance, HDI is incomplete and its usefulness is limited.

Ans. (i) Timely initiation of reforms.
(ii) Huge investment in health and infrastructure (focusing on SEZ).

8.3 DEVELOPMENT STRATEGIES— AN APPRAISAL AND CONCLUSION

- Development strategy of a country often serves as a model and guide to others for their own development.
- A meaningful analysis of the growth path of one country (along with its success and failures) serves as a **ready reckoner** to the other country in designing its own strategy.
- In this section, we attempt a brief appraisal of the achievements of China, Pakistan and India in the context of their respective model of growth or the strategy of growth. Initiation of economic reforms is taken as the point of references: 1978 in China, 1988 in Pakistan and 1991 in India.

China

- China introduced reforms in 1978 to address the slow pace of economic growth.
  - Important it is to note that, unlike India and Pakistan, the reforms in China were not dictated by the World Bank and International Monetary Fund.
  - It was dictated by the thought-process of the Chinese leadership itself.
  - It was realised by the leadership of China that the Maoist strategy of growth (a closed economy and a command economy model) was not yielding the desired results.
- Partially discarding this strategy, the leadership embarked upon the domestic campaign of Great Leap Forward and introduced land reforms on a massive scale. Households were allowed to start industries in their backyards.
- It is true that even this strategy had failed to achieve the desired goal of economic take-off. But, it had certainly provided a strong base for further reforms in the country.
  - Huge investment in health and infrastructure (focusing on SEZ) led to a phenomenal breakthrough in the economy of China.
  - FDI worked like a panacea (a solution for all problems) for the Chinese economy and ultimately China emerged as the epicentre of manufacturing activity in the world.
- It is of critical significance that China introduced and implemented each reform first at a smaller level and only when the results were found to be satisfactory that it was extended to a larger scale.
  - A rigorous cost-benefit analysis of each reform at the initial stage helped the leadership to undertake exercise of resource-allocation with greater success and better results.

Pakistan

- In Pakistan, unfortunately, reforms introduced in 1988 failed to sustain the pace of growth it had earlier achieved. Economic indicators of Pakistan started losing their sheen.
  - While prior to the reforms, the proportion of poor had declined from 40 per cent in 1960s to 25 per cent in 1980s, during the post-reform period, there was a reversal of this trend. Also compared to 1980s, GDP growth rate was recorded to be lower in 1990.
- Pakistan had a sign of relief particularly in the year 2017-18. When GDP registered a growth of 5.5 per cent (which was highest as compared to that in the previous decade).
  - Also, the manufacturing and services sector grew at the rate of 4.9 per cent and 6.2 per cent respectively, besides some other macroeconomic indicators showing a more stable and positive growth trend.
- But, overall picture of Pak-economy (consequent upon the reforms initiated in 1988) has rather been disheartening.
  - Economic slowdown has gripped the Pak-economy like never before.
  - The primary reason for the slowdown of Pak-economy is that the leadership in Pakistan has failed to realise the significance of institutional and technical changes in agriculture. Consequently, agricultural output remained highly volatile.
- Volatility in agriculture led to volatility in its exports and finally, volatility in its forex-reserves. To cope with its forex-needs, Pakistan has continued to rely on remittances[16] from abroad and borrowings from rest of the world.
  - Pakistan has failed to build its industrial base for the sustainable exports of manufactured goods.
  - Growing reliance on external borrowings has driven Pak-economy into a debt-trap[17] with no hope of redemption[18].
- The condition is so bad that the bulk of borrowings from abroad are exhausted in paying interest on the existing loans. Funds for development are extremely scarce, particularly when political extremism rules the roost.

! HIGHLIGHTS

Re-emergence of Poverty in Pakistan

- Starting with the process of planned development programmes after independence, Pakistan relied largely on the policy of 'protection' (protecting domestic industry from foreign competition), assigning central role to public sector enterprises.
- Like in India, Green Revolution in Pakistan brought about a structural transformation in the economy of Pakistan.
- Growth rate continued to remain low till Pakistan took to economic reforms in 1988, shifting its priorities from 'protection' to 'competition' and opening up the economy to the global investors.
- Initially, economic reforms yielded spectacular results, and performance of the Pakistan economy was indeed convincing and (in many respects) way ahead of the performance of the Indian economy.
- But from a hunky-dory point, Pakistan seems to have slipped into poverty-mode once again.
- Thus, in the year 2011, while India and China recorded GDP growth rate of 8.4 per cent and 9.5 per cent respectively, in Pakistan it was merely 2.6 per cent per annum.

16. *Remittances – a sum of money sent in payment or as a gift.*
17. *Debt-trap – a situation where you are forced to take new loans in order to repay your existing debt obligations.*
18. *Redemption – the act of regaining ownership or possession of something by paying a sum of money or fulfilling certain conditions or after clearance of a debt.*

Reasons:

Re-emergence of poverty in Pakistan is explained with reference to the following observations:

(i) Pakistan has failed to bring about stable institutional reforms in agriculture. Accordingly, performance of agricultural sector has remained volatile and highly vulnerable to climatic conditions. Good harvest depends largely on good monsoon.

(ii) For its foreign exchange requirements, Pakistan has relied largely on remittances from abroad, and (volatile) agricultural exports. A setback to these sources of foreign exchange has caused a corresponding setback to the process of growth.

(iii) Lack of political stability in Pakistan has caused huge public expenditure on law and order.

(iv) Pakistan is allocating huge funds to build a strong defence-system, even when it implies a huge cut in developmental expenditure.

India [Critical Evaluation of India's Performance as compared to China and Pakistan]

- Let us conclude our discussion by writing a critical comment on our performance as compared to China and Pakistan.
- Our performance is neither so bad nor so good. We are far ahead Pakistan, but far behind China. GDP of Pakistan is just 11 per cent of GDP of India. But GDP of India is just 41 per cent of GDP of China.

Why India is lagging behind China when India, like China, has focused on SEZ and offered lucrative terms to the foreign investors? Why FDI is far less in India than China? Why is it that the Indian economy has experienced growth by 'fits and start' while the Chinese growth process has almost been smooth and steady?

- The reason is to be traced in the area of 'political will' and 'enforcement drive'. India is far behind China in exhibiting its 'political will' to push its agenda of economic growth.
- Also, India is far behind China in exercising its 'enforcement drive'. Even long after the initiation of economic reforms (1991), India did not have the necessary political consolidation in the country.
  - The country had been governed by a 'Coalition Government' which is always constrained in its decision-making process on account of the 'compulsions of coalition'.
- Likewise, enforcement of policies and programmes lags far behind in India compared to China.
  - It is because India follows a democratic process of enforcement while China follows an autocratic process of enforcement.
  - Here, we would like to state that democratic process is always better, as it allows wider freedom to the masses (by way of human rights) which itself is an indicator of social welfare.

RELEVANT QUESTIONS

Q. 15. Enlist any two reasons for the slowdown of economic growth in China.

Ans. (i) Increase in corruption and economic crimes over time.

(ii) Rise in the propensity to save in the Chinese economy.

Q. 16. India and Pakistan underwent a direct transition from _____ sector to _____ sector and lesser emphasis was given to _____ sector.

Ans. Primary, tertiary; industrial.

Q. 17. Name the principal factor behind the slowdown of Pakistan's economy post the economic reforms introduced in 1988.

Ans. Failure to bring institutional and technical changes in agriculture.